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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

APPLE, INC., <i>et al.</i>)	Case No.: 5:20-cv-06128-EJD
)	
Plaintiffs,)	Notice of Motion and Motion to Dismiss
)	Plaintiffs' Amended Complaint
v.)	
)	Hon. Edward J. Davila
ANDREI IANCU, in his official capacity only,)	
)	Hearing Set for March 11, 2021, 9:00 a.m.
Defendant.)	

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STATEMENT OF ISSUES

1. Whether Plaintiffs have standing to challenge an agency policy when the policy does not cause Plaintiffs a concrete injury and Plaintiffs' speculative injuries would not be redressed by the relief Plaintiffs seek.
2. Whether the America Invents Act of 2011 displaces any cause of action under the Administrative Procedure Act to challenge the considerations upon which the Director of the U.S. Patent and Trademark Office relies in exercising his unreviewable discretion to deny *inter partes* review.
3. Whether the considerations an agency uses to reach a decision committed to agency discretion by law are similarly committed to agency discretion and therefore not subject to judicial review under the Administrative Procedure Act.
4. Whether Defendant adopting non-dispositive, non-exhaustive factors to guide the discretionary decision whether to institute *inter partes* review is a final agency action ripe for review under the Administrative Procedure Act when those factors have no immediate impact on outside parties' substantive rights.

1 Plaintiffs Apple Inc., Cisco Systems, Inc., Google LLC, Intel Corporation, Edwards
 2 Lifesciences Corp., and Edwards Lifesciences LLC (collectively, “Plaintiffs”) have brought suit
 3 under the Administrative Procedure Act (“APA”) against Defendant Andrei Iancu (“Director” or
 4 “Defendant”) in his official capacity as Under Secretary of Commerce for Intellectual Property
 5 and Director, United States Patent and Trademark Office (“USPTO”), asserting that the Director
 6 acted unlawfully when he designated as precedential two opinions by the Patent Trial and Appeal
 7 Board (“Board”). The opinions set forth non-dispositive, non-exhaustive factors for the Board to
 8 consider when deciding whether to grant a petition for *inter partes* review in light of a pending
 9 district court proceeding that implicates similar issues as the petition.
 10

11 The Court should dismiss Plaintiffs’ claims in full. Initially, Plaintiffs lack standing
 12 because they have not suffered cognizable injuries, and the relief they seek would not redress
 13 their purported injuries. Further, the America Invents Act of 2011 (“AIA”), Pub L. No. 112-29,
 14 125 Stat. 29 (Sept. 16, 2011), forecloses a cause of action under the APA. Even if the APA
 15 provided a cause of action, however, that statute does not permit review of non-final agency
 16 actions, like the ones challenged here.
 17

18 **LEGAL BACKGROUND**

19 **I. Statutory Framework**

20 When Congress passed the AIA, it modified the USPTO’s longstanding authority to
 21 review the patentability of existing patent claims. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S.
 22 Ct. 2131, 2137 (2016). Currently, the most common means of reviewing patents under the AIA
 23 is termed “*inter partes* review” or “IPR.” *Id.* By filing an IPR petition, “a third party [may] ask
 24 the U.S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to
 25 cancel any claim that the agency finds to be unpatentable in light of prior art.” *Id.* at 2136; *see*
 26 *also* 35 U.S.C. §§ 311, 312 (setting forth procedural and substantive requirements for a petition
 27 to institute IPR proceedings).
 28

1 “The Director may not authorize an inter partes review to be instituted unless the Director
 2 determines that the information presented in the petition . . . and any response filed . . . shows
 3 that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one]
 4 of the claims challenged in the petition.” *Id.* § 314(a); *see also id.* § 313 (patent owner may file
 5 preliminary response). However, the AIA contains “no mandate to institute review.” *Cuozzo*
 6 *Speed Techs.*, 136 S. Ct. at 2140; *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018).
 7 Instead, “[t]he decision whether to institute inter partes review is committed to the Director’s
 8 discretion.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1371
 9 (2018). The Director’s determination whether to institute review is “final and nonappealable.”
 10 35 U.S.C. § 314(d). By regulation, the Director has delegated his authority to decide IPR
 11 petitions to the Board. 37 C.F.R. § 42.4(a).

12
 13 Within three months of the date that the patent holder files its preliminary response to a
 14 petition, the Board must decide whether to grant it.¹ 35 U.S.C. § 314(b)(1). If the Board finds
 15 that a petition is eligible for review and chooses to institute proceedings, the Board conducts a
 16 trial on the validity of the challenged patent claims. *Id.* § 6(a); *see also id.* §§ 314, 318(a). IPR
 17 trial proceedings provide the patent holder with the opportunity to further respond to the petition,
 18 to file motions, to cross-examine witnesses, and, potentially, to file a sur-reply. *Id.* § 316(a)(8);
 19 37 C.F.R. §§ 42.22, 42.223.

20
 21 Within one year after granting an IPR petition, the Board must issue a final written
 22 decision based on all the evidence in the record. 35 U.S.C. § 316(a)(11); *see also Cuozzo Speed*
 23 *Techs.*, 136 S. Ct. at 2136. Written decisions by the Board in IPR proceedings are final agency
 24 actions that establish the legal validity of the patent claims. 35 U.S.C. § 318(a). A dissatisfied
 25 party may appeal the Board’s final written decision on patentability to the Federal Circuit. *Id.*
 26 § 318(a), § 319.

27
 28 ¹ If no preliminary response is filed, the decision must be made within three months of the last
 date it could have been filed. 35 U.S.C. § 314(b)(2).

1 II. Regulatory Framework

2 Congress conferred on the USPTO Director authority to establish regulations that
 3 “govern the conduct of proceedings in the Office.” 35 U.S.C. § 2(b)(2)(A). When it enacted the
 4 AIA, Congress charged the Director with prescribing regulations related to thirteen distinct
 5 aspects of the IPR process, including “setting forth the standards for the showing of sufficient
 6 grounds to institute a[n *inter partes*] review.” *Id.* § 316(a)(2); *see* 37 C.F.R. 42.108(c). Notably,
 7 Congress did not instruct the Director to promulgate regulations setting forth the standards for
 8 the exercise of the discretion whether to institute IPR proceedings.² *See id.*; *see also* *Cuozzo*
 9 *Speed Techs.*, 136 S. Ct. at 2137.

11 III. Precedential Board Opinions

12 In addition to empowering the Director to promulgate regulations, Congress made the
 13 Director “responsible for providing policy direction and management supervision for the”
 14 USPTO. 35 U.S.C. § 3(a)(2).³ The Director can exercise this supervision in a variety of ways,
 15 such as overseeing Board executives, publishing guidance materials (*e.g.*, the Trial Practice
 16 Guide), issuing memoranda on the handling of recurring issues before the Board, and designating
 17 Board decisions as precedential. Pursuant to this authority, the Director issued Standard
 18 Operating Procedure 2 (“SOP 2”) in 2018, addressing the Director’s ability to provide policy
 19 direction to the Board through precedential opinions.⁴

20 As SOP 2 explains, the Director can designate a Board opinion (or portion thereof) as
 21 precedential. SOP 2 (ECF No. 51-2). “A precedential decision is binding Board authority in
 22 subsequent matters involving similar facts or issues.” SOP 2 at 11. Regardless of the procedural
 23

24 ² Although there is no requirement for the Director to do so, the Director has issued a request for
 25 comments seeking the public’s view on, among other things, the appropriate factors to consider
 26 for discretionary denials of *inter partes* review. *See* Request for Comments on Discretion to
 27 Institute Trials Before the Patent Trial and Appeal Board, __ Fed. Reg. __, available as of
 28 October 19, 2020, at <https://public-inspection.federalregister.gov/2020-22946.pdf>.

³ In addition, the Director has independent authority as a Board member. *See* 35 U.S.C. § 6(a).

⁴ Available at
<https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

1 path a case has taken, “[n]o decision or portion thereof may be designated as precedential or
 2 informative pursuant to [SOP 2] without the Director’s approval,” and the Director can de-
 3 designate an opinion at any time.⁵ *Id.* at 8-11. Further, SOP 2 does not “limit the Director’s
 4 authority to issue, at any time and in any manner, [other] policy directives[,] ... including policy
 5 directives concerning the implementation of statutory provisions.” *Id.* at 1-2.

6 **IV. Institution Factors for IPR Petitions**

7 Notably for this case, the Director has designated as precedential *NHK Spring Co., Ltd. v.*
 8 *Intri-Plex Techs., Inc.*, No. IPR2018-00752 (Paper 8) (P.T.A.B. Sept. 12, 2018), and *Apple Inc.*
 9 *v. Fintiv, Inc.*, IPR2020-00019 (Paper 11) (P.T.A.B. Mar. 20, 2020). Both cases concern how
 10 parallel district court proceedings involving the same parties and addressing the validity of the
 11 same or similar patent claims should be taken into account when the Board determines whether
 12 to institute an IPR proceeding. In *NHK*, the Board noted that efficiency weighed in favor of
 13 denying review when a “district court proceeding will analyze the same issues and will be
 14 resolved before any trial on the [IPR p]etition concludes.” IPR2018-00752 at 19-20. In *Fintiv*,
 15 the Board expanded on *NHK*, explaining that “an early trial date” is one “non-dispositive factor[]
 16 considered for institution under 35 U.S.C. § 314(a)” and “should be weighed as part of a
 17 ‘balanced assessment of all relevant circumstances of the case, including the merits.’” IPR2020-
 18 00019 at 5 (quoting the Consolidated Trial Practice Guide (Nov. 2019) at 58).

19 The Board in *Fintiv* also identified six factors it had previously considered “relat[ing] to
 20 whether efficiency, fairness, and the merits support the exercise of authority to deny institution in
 21 view of an earlier trial date in the parallel proceedings.” *Id.* at 6. The *Fintiv* factors are:

- 22 (1) whether a stay exists or is likely to be granted if a proceeding is instituted;
- 23 (2) proximity of the court’s trial date to the Board’s projected statutory deadline;

24
 25
 26
 27
 28 ⁵ Although they are not at issue in this case, “[i]nformative decisions set forth Board norms that should be followed in most cases, absent justification, although an informative decision is not binding authority on the Board.” SOP 2 at 11.

- (3) investment in the parallel proceeding by the court and parties;
- (4) overlap between issues raised in the petition and in the parallel proceeding;
- (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and
- (6) other circumstances that impact the Board's exercise of discretion, including the merits.

Id. The Director designating *Fintiv* as precedential means that the Board must consider the *Fintiv* factors in future institution decisions involving parallel district court proceedings. *See* SOP 2 at 11.

The *Fintiv* factors embody a flexible approach that permits the Board to take into account all the relevant considerations to ensure that *inter partes* review promotes the “efficiency and integrity of the patent system” by remaining a faster, cheaper alternative to district court litigation, as Congress intended. *Fintiv*, IPR2020-00019 at 16; *see* H. Rep. No. 112-98, Part 1, at 48 (2011) (noting that a purpose of the AIA was to “provid[e] quick and cost effective alternatives to litigation”); 157 Cong. Rec. S592 (daily ed. Feb. 28, 2011) (stating that the post-grant proceedings in the AIA would “provide faster, less costly alternatives to civil litigation to challenge patents”) (statement of Sen. Chuck Grassley). Moreover, discernment in granting *inter partes* review ensures that the USPTO remains a valuable alternative to Article III courts, rather than instituting proceedings redundant of courts’ patent claim adjudications.

PROCEDURAL BACKGROUND

Plaintiffs are large technology companies that frequently file *inter partes* review petitions in response to patent infringement lawsuits. Am. Compl. for Decl. & Injunctive Relief (“Am. Compl.”) ¶¶ 24-27, 62. Some of those IPR petitions have not been instituted by the Board after consideration of the *Fintiv* factors in light of co-pending district court proceedings addressing the validity of the same patent claim. *Id.* ¶¶ 56-61. Plaintiffs have now brought suit to set aside the

1 Director's designation of *Fintiv* and *NHK* as precedential Board opinions and to foreclose
 2 reliance on the *Fintiv* factors.⁶ *Id.* ¶¶ 56-63

3 In addition to the instant case, Plaintiffs have brought a multitude of legal challenges to
 4 the *Fintiv* factors, all without success.⁷ For example, Plaintiff Cisco Systems Inc. appealed the
 5 Board's decision not to institute its IPR petition and alternatively sought mandamus relief for
 6 review of the Board's decisions. *In re Cisco Systems, Inc.*, 2020 WL 6373016, at *1. In that
 7 case, the Federal Circuit rejected Cisco's argument that the Board lacked "authority to consider
 8 the status of parallel district court proceedings as part of its decision under § 314(a) in deciding
 9 whether to deny institution" of IPR proceedings. *Id.* at *2. The court went on to conclude that it
 10 lacked jurisdiction to consider Cisco's "procedural and substantive" challenges to the Board's
 11 "authority to consider the status of parallel district court proceedings . . . in deciding whether to
 12 deny institution" because "when the Director decides not to institute, for whatever reason, there
 13 is no review." *Id.* (citation and internal quotation marks omitted). The court further denied
 14 mandamus review. *Id.*

15
 16 Here, Plaintiffs have brought three claims under the APA challenging the *Fintiv* factors.
 17 Count I alleges that the Director lacked the authority to designate *NHK* and *Fintiv* as precedential
 18 because the holdings of those cases purportedly conflict with other provisions of the AIA. Am.
 19 Compl. ¶¶ 82-86. Count II alleges that the *Fintiv* factors are arbitrary, capricious, and an abuse
 20 of discretion because they purportedly result in unpredictable and inefficient IPR proceedings.
 21 *Id.* ¶¶ 87-91. Count III alleges that the *Fintiv* factors are invalid because the Director could have
 22

23 ⁶ Because *Fintiv* followed the reasoning of *NHK*, the non-dispositive factors announced in *Fintiv*
 24 effectively subsume *NHK*'s holding. Defendant therefore most frequently frames Plaintiffs'
 25 claims as being challenges to the *Fintiv* factors. Although Defendant uses this formulation for
 26 clarity and brevity, the justiciability problems with Plaintiffs' claims apply to Plaintiffs'
 27 challenges to *NHK* and to *Fintiv*, both separately and collectively.

28 ⁷ See *id.* ¶ 57 (motion for rehearing denied); *In re Cisco Systems Inc.*, No. 2020-148, 2020 WL
 6373016, ___ F. App'x ___ (Fed. Cir. Oct. 20, 2020); *Cisco Systems Inc. v. Ramot at Tel Aviv
 Univ. Ltd.*, Nos. 20-2047, -2049, ECF No. 28 (Fed. Cir. Oct. 30, 2020); *Google LLC v. Uniloc
 2017 LLC*, No. 20-2040, ECF No. 21 (Fed. Cir. Oct. 30, 2020); *Apple Inc. v. Maxell, Ltd.*, No.
 20-2132, ECF No. 38 (Fed. Cir. Oct. 30, 2020); see also *Apple Inc. v. Optis Cellular Tech., LLC*,
 Nos. 21-1043, -1044, -1046 (Fed. Cir., docketed Oct. 14, 2020).

1 enacted them only by notice-and-comment rulemaking. *Id.* ¶¶ 92-95. Defendant now moves to
 2 dismiss those claims because Plaintiffs lack standing and, regardless, would not be entitled to
 3 relief under the APA.

4 LEGAL STANDARD

5 Federal Rule of Civil Procedure 12(b)(1) requires dismissal when the plaintiff fails to
 6 meet his or her burden of establishing subject-matter jurisdiction. *St. Clair v. City of Chico*, 880
 7 F.2d 199, 201 (9th Cir. 1989). Dismissal on this basis is appropriate when, for instance, a
 8 plaintiff fails to establish the elements of standing, *Oregon v. Legal Servs. Corp.*, 552 F.3d 965,
 9 969 (9th Cir. 2009), or brings a non-cognizable claim under the APA, *Fairbanks N. Star Borough*
 10 *v. U.S. Army Corps of Eng'rs*, 543 F.3d 586, 591 (9th Cir. 2008).

12 ARGUMENT

13 When Congress enacted the AIA, it precluded review of challenges to the institution decision
 14 to guarantee that the Director is free to rely on any considerations he deems relevant—including
 15 the *Fintiv* factors. Preserving the Director's discretion in this way ensures that *inter partes*
 16 review provides a quick, less expensive, and efficient alternative to district court proceedings.
 17 Plaintiffs, however, seek to substitute their judgment for the Director's and ask that this Court set
 18 aside the *Fintiv* factors. Instead, the Court should dismiss Plaintiffs' Amended Complaint for
 19 lack of standing and, alternatively, because Plaintiffs' claims are non-justiciable under the APA.

21 **I. Plaintiffs Lack Standing Because They Cannot Establish Either a Concrete Injury or** 22 **that Their Purported Injuries Would Be Redressed by the Relief Sought.**

23 “Federal courts are courts of limited jurisdiction, . . . possess[ing] only that power
 24 authorized by Constitution and statute, which is not to be expanded by judicial decree.”
 25 *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994) (internal citations omitted).
 26 A constitutional prerequisite for any federal lawsuit is that the plaintiff have standing to assert
 27 the claims brought. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 559-60 (1992). The three
 28 “irreducible constitutional minimum” requirements for standing are that (1) the plaintiff

1 “suffer[s] an ‘injury in fact’ – an invasion of a legally protected interest which is (a) concrete and
 2 particularized and (b) ‘actual or imminent, not conjectural or hypothetical,” (2) “the injury has to
 3 be ‘fairly traceable to the challenged action of the defendant,’” and (3) it is likely “that the injury
 4 will be ‘redressed by a favorable decision.’” *Id.* at 560 (alterations and internal citations
 5 omitted).

6 Plaintiffs challenge the Director’s consideration of the *Fintiv* factors because those
 7 factors were allegedly improperly adopted as well as purportedly arbitrary and capricious.
 8 Compl. ¶¶ 82-95. However, the Director’s unreviewable discretion over IPR institution
 9 decisions means that Plaintiffs can establish neither an injury in fact nor redressability.
 10

11 Initially, Plaintiffs lack an injury in fact. The only potential effect on Plaintiffs from the
 12 Director’s consideration of the *Fintiv* factors is that the Director might deny review of one of
 13 their IPR petitions. Congress expressly rejected any right to review of an IPR petition. 35 U.S.C.
 14 § 314(d); *Oil States Energy Servs.*, 138 S. Ct. 1365, 1371 (2018) (institution decision
 15 “committed to the Director’s discretion”). Thus, Plaintiffs lack a protectable right that could be
 16 invaded to meet the injury in fact requirement for standing. *See* § II.C, *infra*.

17 Further, success on Plaintiffs’ claims would not remedy Plaintiffs’ purported injuries. By
 18 statute, the Director has the unfettered discretion to consider all factors he deems relevant when
 19 deciding whether to institute *inter partes* review. Setting aside the *Fintiv* factors would leave
 20 this discretion untouched.⁸ Indeed, the Board in *NHK* considered the trial dates of parallel
 21 district court proceedings before the Director designed *NHK* as precedential, proving that
 22 removing that designation would not prevent the Board from considering such trial dates when
 23 exercising discretion under § 314(a). Similarly, “the Board’s decisions ha[d] balanced” the
 24 *Fintiv* factors before the Board enumerated them, so de-designating *Fintiv* would likewise not
 25

26
 27 ⁸ Paragraph 3 of the Relief Requested section of the Amended Complaint does seek a permanent
 28 injunction against the USPTO “relying on the *NHK-Fintiv* rule or the non-statutory factors it
 incorporates to deny institution of IPR.” Am. Compl. at 20. However, the APA does not allow
 permanent injunctions; rather it provides for only limited relief: “affirmation, reversal or remand
 of the agency action.” *Alto v. Black*, 738 F.3d 1111, 1127 (9th Cir. 2013).

1 prevent the Board from considering the factors adopted in *Fintiv*. IPR2020-00019, at 5.
 2 Moreover, “[t]here is absolutely no way of knowing what [rule], if any,” the Director would
 3 adopt if the Court sets aside the *Fintiv* factors, precluding a showing of redressability. *See*
 4 *Hoffman v. Jeffords*, 175 F. Supp. 2d 49, 51, 57 (D.D.C. 2001) (no standing to challenge to
 5 senator’s switch in political parties because no way to establish what alternative policies
 6 Congress would have otherwise enacted), *aff’d*, No. 02-5006, 2002 WL 1364311 (D.C. Cir. May
 7 6, 2002). Indeed, vacating the *Fintiv* factors could lead the USPTO to adopt a policy even less
 8 favorable IPR petitions, like the one proffered by Proposed Intervenor US Inventor, Inc.⁹
 9 Because Plaintiffs cannot show that any decision by this Court would redress their purported
 10 harms, they lack standing.

11 **II. Plaintiffs’ Claims Are Not Justiciable Under the APA.**

12 The APA does not provide judicial review when the challenged agency action is either
 13 committed to agency discretion or precluded by statute. 5 U.S.C. § 701(a). Such review is
 14 limited to “final agency action for which there is no other adequate remedy in a court.” 5 U.S.C.
 15 § 704.
 16

17 **A. The AIA Precludes Collateral Challenges to the Merits of Intermediate Decisions in** 18 **IPR Proceedings, Particularly the Institution Decision.**

19 Congress may—and often does—displace the APA’s default cause of action by enacting
 20 detailed schemes for administrative and judicial review of agency action. As the Supreme Court
 21 has explained, judicial review under the APA will not lie “where congressional intent to preclude
 22 judicial review is fairly discernable in the statutory scheme.” *Block v. Cmty. Nutrition Inst.*, 467
 23 U.S. 340, 351 (1984) (quotation marks omitted). Courts look to the “text, structure, and
 24 purpose” of a specialized statutory review scheme to determine whether Congress’s intent to
 25

26
 27 ⁹ The speculative nature of Plaintiffs’ purported injuries is evident from the fact that Proposed
 28 Intervenor US Inventor Inc., *et al.*, have opposing interests to Plaintiffs but are seeking to
 compel the Director to issue a regulation. *See* ECF No. 28. When IPR petitioners and patent
 owners both claim that a rule would benefit them, it is clear that neither actually knows what the
 effect of that rule would be.

1 preclude district court jurisdiction is “fairly discernable.” *Elgin v. Dep’t of Treasury*, 567 U.S. 1,
 2 10 (2012); *see also Hinck v. United States*, 550 U.S. 501, 506 (2007) (statute providing limited
 3 authorization for review displaced cause of action under the APA).

4 The plain text of the AIA permits aggrieved parties in *inter partes* review proceedings to
 5 appeal *only* from the Board’s final written decision and *only* to the Federal Circuit. The AIA
 6 further provides that the Director’s decision whether to institute an *inter partes* review is “final
 7 and nonappealable,” 35 U.S.C. § 314(d), and that the only appeal available is an appeal of the
 8 Board’s final written decision to the Federal Circuit, *id.* §§ 141(c), 319. *See also Cuozzo Speed*
 9 *Techs.*, 136 S. Ct. at 2139. Indeed, § 314(d)’s preclusion of review is particularly robust,
 10 encompassing any “questions that are closely tied to the application and interpretation of statutes
 11 related to the Patent Office’s decision to initiate inter partes review.” *Thryv, Inc v. Click-To-Call*
 12 *Techs.*, LP, 140 S. Ct. 1367, 1373 (2020) (quoting *Cuozzo Speed Techs.*, 136 S. Ct. at 2141-42);
 13 *see also Cuozzo Speed Techs.*, 136 S. Ct. at 2140 (discussing congressional intent to preclude
 14 review of the IPR institution decision).

15 Congress could hardly have been clearer that it intended to prohibit parties from bringing
 16 collateral APA challenges to the *inter partes* review process. *See Thryv*, 140 S. Ct. at 1372-77
 17 (discussing § 314(d)). Even when a party brings a challenge alleging that the agency violated a
 18 clear bar on institution, like the time-bar in 35 U.S.C. § 315(b), Section 314(d) precludes review,
 19 “[b]ecause § 315(b) expressly governs institution and nothing more.” *Thryv*, 140 S. Ct. at 1373.
 20 Here, plaintiffs challenge the USPTO’s announcement of the factors it will consider in making
 21 its decision whether to institute *inter partes* review under 35 U.S.C. § 314(a). These factors,
 22 however, go to “institution and nothing more.” *Thryv*, 140 S. Ct. at 1373. Plaintiffs may not
 23 agree with the Director’s exercise of his authority over the institution decision, but Plaintiffs are
 24 not entitled to an end-run around § 314(d) by framing their dissatisfaction with the agency’s
 25 institution decisions as a challenge to the policies undergirding those decisions. Courts routinely
 26 find APA actions precluded in even less clear-cut contexts. *See, e.g., Pregis Corp. v. Kappos*,

700 F.3d 1348, 1358 n.1 (Fed. Cir. 2012) (Patent Act’s “intricate scheme for administrative and judicial review of PTO patentability determinations . . . evinces a clear Congressional intent to preclude actions under the APA,” a conclusion reinforced by the availability of *inter partes* review). Plaintiffs’ claims therefore lack a valid cause of action and should be dismissed.

B. The Considerations Guiding the USPTO’s Decision Whether to Institute *Inter Partes* Review Are Committed to Agency Discretion And Beyond Judicial Review.

Further, the APA does not permit courts to review the merits of agency decisions “committed to agency discretion by law,” 5 U.S.C. § 701(a)(2), or for which “statutes preclude judicial review,” *id.* § 701(a)(1). Section 701(a)(2) exempts from review agency actions for “which a court would have no meaningful standard against which to judge the agency’s exercise of discretion” and agency actions that “require[] a complicated balancing of a number of factors which are peculiarly within the agency’s expertise.” *Ctr. for Policy Analysis on Trade & Health (CPATH) v. Office of U.S. Trade Representative*, 540 F.3d 940, 944 (9th Cir. 2008), *as amended* (Oct. 8, 2008); *see also Heckler v. Cheney*, 470 U.S. 821, 830 (1985). The *Fintiv* factors meet both tests. And courts’ inability to second-guess the agency’s institution-related decisions is underscored by 35 U.S.C. § 314(d), which expressly precludes judicial review of such decisions.

1. *There Is No Meaningful Standard for Review of the Factors the Board May Take Into Account When Exercising the Director’s Discretion Under § 314(a).*

The plain language of 35 U.S.C. § 314(a) provides no standard whatsoever for the Court to judge whether the Director has properly exercised his discretion to decide whether to institute *inter partes* review. Although the AIA provides that the Director “may not authorize” IPR proceedings if the petition is insufficient, the statute is completely silent as to which otherwise sufficient petitions merit administrative review. *See id.* This kind of permissive language is a strong indicator that Congress intended the agency’s actions to be discretionary and therefore exempt from review under the APA. *See Sierra Club v. Johnson*, 614 F. Supp. 2d 998, 1003 (N.D. Cal. 2008). Indeed, the Supreme Court has expressly confirmed that the AIA contains “no mandate to institute review” and “committed [the institution decision] to the Patent Office’s

1 discretion.” *Cuozzo Speed Techs.*, 136 S. Ct. at 2140; *see also Saint Regis Mohawk Tribe v.*
 2 *Mylan Pharmas. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) (“If the Director decides to institute,
 3 review occurs. If the Director decides not to institute, for whatever reason, there is no review. In
 4 making this decision, the Director has complete discretion to decide not to institute review.”). It
 5 would be illogical for Congress to confer unreviewable discretion on the Director, only to
 6 implicitly create standards for courts to apply in APA actions collaterally challenging the
 7 Director’s process for deciding institution. *See Pregis*, 700 F.3d at 1358 n.1; *see also Cuozzo*
 8 *Speed Techs.*, 136 S. Ct. at 2140.

9
 10 The breadth of the Director’s general authority over USPTO proceedings further
 11 confirms that Congress did not intend to establish a standard by which courts could judge how
 12 the Director makes institution decisions. The Director has the responsibilities to “provid[e]
 13 policy direction and management supervision” for USPTO and “to govern the conduct of
 14 proceedings” there. 35 U.S.C. § 2(b)(2)(A), § (3)(a)(2)(A); *see also* SOP 2 (issued pursuant to
 15 those statutes). Although the Director must issue some guidance by regulation, *see* 35 U.S.C.
 16 § 316, nothing limits the Director’s authority to issue sub-regulatory policies on other topics.
 17 Again, Congress did not supply a statute against which the Court can judge the Director’s
 18 decision-making in this regard, so the Director’s actions are not subject to APA review. *See*
 19 *Heckler*, 470 U.S. at 830.

20
 21 Although Plaintiffs frame their claims as challenges to the Director’s adopting the *Fintiv*
 22 factors without notice-and-comment, “[a]t bottom, [Plaintiffs are] challenging whether the Board
 23 has authority to consider the status of parallel district court proceedings as part of its decision
 24 under § 314(a) in deciding whether to deny institution.” *In re Cisco Sys., Inc.*, 2020 WL
 25 6373016, at *2. Plaintiff Cisco Systems, Inc. raised the same arguments in the Federal Circuit
 26 that Plaintiffs are making here. Like the Federal Circuit, this Court should reject Plaintiffs’
 27 claims because “[s]uch challenges, both procedural and substantive, rank as questions closely
 28 tied to the application and interpretation of statutes relating to the Patent Office’s decision

1 whether to initiate review” *Id.* That Cisco now brings these claims through another avenue,
 2 joined by other plaintiffs, does nothing to remedy this critical defect.

3 Even absent the AIA’s specific statutory language, agency inaction—such as the decision
 4 not to institute IPR proceedings—is a quintessential example of agency decision-making
 5 routinely committed to agency discretion. See *Heckler*, 470 U.S. at 832. As the Supreme Court
 6 explained in *Heckler*, “when an agency refuses to act[,] it generally does not exercise its coercive
 7 power over an individual’s liberty or property rights, and thus does not infringe upon areas that
 8 courts often are called upon to protect.” *Id.*; see also *Sierra Club v. Jackson*, 648 F.3d 848, 855
 9 (D.C. Cir. 2011) (decisions not to take enforcement action are presumptively unreviewable).
 10

11 2. *Deciding and Applying the Relevant Considerations for Whether to Institute IPR*
 12 *Proceedings Requires Balancing Priorities Within the USPTO’s Expertise.*

13 When Congress gave the Director discretion over the institution decision and supervisory
 14 authority over the USPTO, Congress entrusted the Director with balancing all the interests tied
 15 up in the patent system. See 35 U.S.C. § 316. As a decision that “requires a complicated
 16 balancing of a number of factors which are peculiarly within the agency’s expertise,” the
 17 decision-making process, including the factors considered, are committed to agency discretion.
 18 *CPATH*, 540 F.3d at 944. The *Fintiv* factors are designed to promote efficiency and principled
 19 resolution of IPR petitions, *Fintiv*, IPR2020-00019, at 6, but Plaintiffs assert that they cause
 20 inefficiency and unpredictability, Am. Compl. ¶¶ 77, 90. This type of judgment call is precisely
 21 the sort of decision for which the “agency is far better equipped than the courts to deal with the
 22 many variables involved in the proper ordering of its priorities” and is thus committed to agency
 23 discretion. *Heckler*, 470 U.S. at 831-32 (decisions involving factors like “whether agency
 24 resources are best spent on this violation or another” and “whether the particular enforcement
 25 action requested best fits the agency’s overall policies” are committed to agency discretion). To
 26 hold otherwise would be to put the Court in the position of agency policymaker, which the APA
 27 forbids. See *CPATH*, 540 F.3d at 945.
 28

1 Because Congress committed to the Director's discretion the authority whether to
 2 institute an *inter partes* review and to issue policies attendant to that decision in accordance with
 3 the AIA, Plaintiffs' claims challenging those rules are non-justiciable.

4 C. Adopting Non-Dispositive, Non-Exhaustive Factors Guiding the Board's Exercise of
 5 the Director's Discretion to Institute an *Inter Partes* Review Is Not a Final Agency
 6 Action.

7 The APA permits review of only final agency actions. 5 U.S.C. § 704. Agency action is
 8 final if the action (1) "mark[s] the culmination of the agency's decisionmaking process" and (2)
 9 is "one by which rights or obligations have been determined, or from which legal consequences
 10 will flow." *Bennett v. Spear*, 520 U.S. 154, 178 (1997) (internal citations omitted). The
 11 Director's designation of *Fintiv* as precedential does not qualify as a final agency action because
 12 no legal consequences flow directly from the Board considering a set of non-exhaustive, non-
 13 dispositive factors the Board considers in exercising discretion over the institution decision,
 14 which itself lacks any direct legal consequences. Plaintiffs' APA claims therefore fail.

15 Absent a statute to the contrary, the issuance of an internal agency policy is not ordinarily
 16 a final action that can be directly challenged under the APA. *See* 5 U.S.C. § 704; *Lujan v. Nat'l*
 17 *Wildlife Fed'n*, 497 U.S. 871, 891 (1990) (discussing regulations). Rather, an allegedly
 18 aggrieved party must wait until there is "some concrete action applying [the rule] to the
 19 claimant's situation in a fashion that harms or threatens to harm him." *Id.* Only in rare cases
 20 will the issuance of a policy "itself affect parties concretely enough to satisfy [the finality]
 21 requirement." *Reno v. Catholic Social Servs., Inc.*, 509 U.S. 43, 57–61 (1993); *see also Calvillo*
 22 *Manriquez v. Devos*, 345 F. Supp. 3d 1077, 1102 (N.D. Cal. 2018); *see also FTC v. Standard Oil*
 23 *Co. of Cal.*, 449 U.S. 232, 241-42 (1980). Issuance of a policy is final only when the policy
 24 directly causes "a certain change in the legal obligations of a party" or immediately forces
 25 regulated entities to alter their day-to-day affairs. *Ctr. for Auto Safety v. Nat'l Highway Traffic*
 26 *Safety Admin.*, 452 F.3d 798, 811 (D.C. Cir. 2006) (citation omitted); *see also Catholic Social*
 27 *Servs., Inc.*, 509 US at 57-58; *Fairbanks N. Star Borough*, 543 F.3d at 596-97.

1 Adopting the *Fintiv* factors lacked the legal effect necessary to qualify as a final agency
 2 action because, even if the factors were to dictate the outcome of IPR institution decisions, no
 3 legal consequences flow from the grant or denial of institution. *See Dalton v. Specter*, 511 U.S.
 4 462, 470 (1994) (legal effect necessary for finality). The APA does not provide for review of
 5 internal agency policies or “intermediate agency actions.” *See Lujan*, 497 U.S. at 891; *Nat’l*
 6 *Min. Ass’n v. McCarthy*, 758 F.3d 243, 252 (D.C. Cir. 2014) (internal agency guidance not final
 7 agency action). The *Fintiv* factors are internal agency policies guiding intermediate agency
 8 actions, so Plaintiffs’ claims are doubly without merit. *See Planned Parenthood of Wisc., Inc. v.*
 9 *Azar*, 316 F. Supp. 3d 291, 306-08 (D.D.C. 2018), *vacated as moot*, 942 F.3d 512 (D.C. Cir.
 10 2019).

11
 12 Even if the *Fintiv* factors were dispositive of the institution decision, they would have no
 13 legal effect—and therefore could not be final—because the institution decision itself has no legal
 14 effect. Rules governing a non-final agency decision are not themselves final agency actions. *See*
 15 *id.* (criteria for generating agency recommendation not final agency action because
 16 recommendation, no matter how practically consequential, lacks direct legal effect). Neither
 17 granting nor denying an IPR petition determines any legal rights, so the institution decision
 18 cannot be a final agency action.

19
 20 As the Supreme Court has already held, the USPTO’s “decision to initiate inter partes
 21 review is ‘preliminary,’ not ‘final,’” under the APA. *Cuozzo Speed Techs.*, 136 S. Ct. at 2140.
 22 Institution merely determines “that adjudicatory proceedings will commence,” which is only one
 23 “step toward . . . the [agency’s] decision on the merits.” *FTC v. Standard Oil Co. of Cal.*, 449
 24 U.S. 232, 241-42 (1980) (final decision to issue complaint initiating proceedings not final agency
 25 action); *City of Oakland v. Lynch*, 798 F.3d 1159, 1166-67 (9th Cir. 2015) (same for forfeiture
 26 complaint); *see also* 35 U.S.C. § 318(a) (permitting judicial review of final IPR determinations).

27 Likewise, denial of an IPR petition leaves intact both the patent claims and the
 28 petitioner’s right to challenge those claims in federal court. *See* 35 U.S.C. § 315(e); *see also In*

1 *re Cisco*, 2020 WL 6373016, at *2 (a party denied *inter partes* review nonetheless “clearly has a
 2 readily available alternative legal channel to raise its arguments concerning the validity of the
 3 asserted patents”). Alternatively, an alleged infringer can challenge the validity of a patent as a
 4 defense or counter-claim in litigation. Indeed, Plaintiffs and other defendants in patent litigation
 5 are doing exactly this in district courts all over the country. *E.g. Maxell, Ltd.*, No. 5:19-cv-
 6 00036, ECF No. 118 at 97; *see also* Am. Compl. ¶¶ 54-64 (listing numerous examples of IPR
 7 petitions by Plaintiffs and others denied in light of parallel district court proceedings). Litigants
 8 do not have a substantive right to have their claims considered in a forum of their choosing. *Cf.*
 9 *Brown v. District of Columbia*, 115 F. Supp. 3d 56, 73 (D.D.C. 2015) (barrier to judicial review
 10 did not violate due process because adequate administrative alternative available).

11
 12 No substantive rights have been determined by the grant or denial of institution, so the
 13 institution decision itself cannot be a final agency action under the APA. *See Fairbanks N. Star*
 14 *Borough*, 543 F.3d at 594; *see also Nat'l Ass'n of Home Builders v. Norton*, 415 F.3d 8, 16 (D.C.
 15 Cir. 2005) (agency decision that “left the world just as it found it, . . . cannot be fairly described
 16 as implementing, interpreting, or prescribing law or policy”); *see also Cuozzo Speed Techs.*, 136
 17 S. Ct. at 2140 (“decision to initiate *inter partes* review is . . . not ‘final’” for purpose of APA
 18 review). The factors considered in reaching that decision are one step even further removed
 19 from any direct legal effect. *A fortiori*, adopting the *Fintiv* factors could not have been a final
 20 agency action under the APA. *See Planned Parenthood of Wisc.*, 316 F. Supp. 3d at 307.

21 CONCLUSION

22 For the foregoing reasons, the Court should dismiss Plaintiffs’ Complaint with prejudice.

23
 24 DATED: November 23, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 23, 2020, I electronically filed the foregoing document with the Clerk of the Court, using the CM/ECF system, which will send notification of such filing to the counsel of record in this matter who are registered on the CM/ECF system.

Executed on November 23, 2020, in Washington, D.C.

/s/ Gary Feldon

GARY D. FELDON